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Inquiry Raising Major Questions About the C.I.A.

The following article is based on reporting by Philip Taubman and Jeff Gerth and was written by Mr. Taubman.

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WASHINGTON, Dec. 16 — The chairman of the House Select Committee on Intelligence said today that the committee's investigation into the activities of two former American intelligence agents had raised serious questions about the conduct and policies of the Central Intelligence Agency.

The chairman, Representative Edward P. Boland, said that the committee's inquiry into the activities of Edwin P. Wilson and Frank E. Terpil, two former employees of the C.I.A. who have been charged with illegally shipping explosives to Libya, had dealt with the agency's apparent inability to control businesses it secretly owned and to maintain the security of its operations.

The investigation, he said, also focused on the lack of agency policies to govern contacts between current and former employees and the capacity of the C.I.A. to conduct internal investigations of reports of abuses by its staff.

These and other issues examined by the committee will be the subject of public hearings early next year, according to Mr. Boland, a Massachusetts Democrat. He provided a status report on the panel's investigation in an interview today.

He said that the investigation, which is continuing, had not come up with answers to several of the key questions raised by the activities of Mr. Wilson and Mr. Terpil, including the issue of whether the C.I.A., directly or indirectly, approved their work in Libya.

The two men, according to Federal investigators, closed a deal in 1976 with Col. Muammar el-Qaddafi, the leader of Libya, to sell that country their expertise in intelligence and military matters to train terrorists.

A number of senior Justice Department and intelligence officials suspect, but have been unable to prove, that senior officials at the C.I.A., acting without the consent of superiors, gave tacit approval to the Libyan venture in 1976 in hope that it would produce intelligence information otherwise unavailable to the United States.

The C.I.A. has repeatedly denied any official involve

son, an agency spokesman, said today that the C.I.A. would make no comment on the Intelligence Committee's investigation until it was completed and the agency had been fully informed about its findings.

Mr. Boland said that the committee and the C.I.A. have also been investigating whether those officials disclosed sensitive intelligence information to Mr. Wilson without authorization to help his business operations abroad.

Mr. Wilson and Mr. Terpil were indicted last year by a Federal grand jury after investigations by at least five Federal agencies. Both men are currently fugitives. Mr. Wilson lives in Libya and Mr. Terpil was last known to reside in Beirut, Lebanon.

Their case, since it began to unfold five years ago, has repeatedly been a source of consternation for the C.I.A. and Justice Department as the two agencies, at times at odds with one another, investigated the activities of the two men, according to Federal officials.

Disclosures Bring Out Problems

The more information that emerged, these officials said, the more the case seemed to expose major problems, ranging from the Government's apparent inability to control the conduct of former intelligence agents, to gaps in Federal law that permitted Americans to train terrorists as long as they did so abroad. The case, they added, also illustrated weaknesses in export control laws and their enforcement.

Mr. Boland said that the committee staff, in reviewing all these concerns, conducted more than 100 interviews since it began work three months ago. The first goal, he said, was to trace the careers of Mr. Wilson and Mr. Terpil, their association with the C.I.A. after they left Government employment, and the handling of their case by Federal agencies, including the Federal Bureau of Investigation, the Defense Department and the C.I.A.

"It's clear that the C.I.A. and the F.B.I. didn't do a thorough job of investigating allegations about Wilson and Terpil when they were first brought to the Government's attention," Mr. Boland said. The quality of investigations has improved recently, he added, noting that the C.I.A. opened its files to the committee staff and had conducted its own "broad-ranging" review of the Wilson-Terpil case and related matters.

Mr. Boland said that the intelligence agency "should have adopted a code of ethics for its employees a long time ago." He said he hoped the agency would do so in the near future.

As the committee investigation progressed, according to Mr. Boland, the staff identified seven major areas in which serious questions were raised about the conduct of the C.I.A. and other Federal agencies, and the adequacy of Federal laws. He said these seven areas had been given particular attention by the committee. They are:

departure from Government employment.

Theodore G. Shackley, for example, has acknowledged that in 1976, while he was deputy to the director of clandestine operations at the C.I.A., he met with Mr. Wilson and several Wilson business associates. Mr. Shackley, who retired in 1979, said he hoped to pick up information about the Middle East, where Mr. Wilson was then doing business, but he denied knowing anything about Mr. Wilson's activities in Libya.

Kevin P. Mulcahy, a Wilson business associate at the time who attended the meeting, said it was set up to solicit Mr. Shackley's help in obtaining an export license for sensitive electronic warfare equipment that Mr. Wilson wanted to sell to Egypt.

Mr. Wilson, after leaving Government employment, also had several meetings with another senior official in the clandestine services, Thomas G. Clines, and helped Mr. Clines set up a private business while Mr. Clines was still an agency employee. Mr. Clines has confirmed these contacts but had denied any impropriety.

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